



Current Articles 2002 - November

Aircraft and Insurance

One of your clients may call to advise that he has purchased an airplane. What do you do? The market for aircraft insurance is very limited and has become even more limited with the departing of Avemco from Canada. British Aviation, now part of the Global Aerospace Group and which also operate AAU (Associated Aviation Underwriters) and several Lloyd's connections through wholesalers are the major markets.

In order to address your client's insurance requirements you must be aware of a few idiosyncrasies that pertain to aircraft insurance. It is evident to E & O insurers that aviation insurance can create problems. Some E & O insurers may surcharge a premium if a broker has a substantial aviation premium volume.

When you submit an application for aviation insurance, the underwriter will require an up to date Pilot History Report be completed and signed. This report will indicate the total hours flown as a pilot, the type of aircraft flown, whether the flying experience is current and the class of license. Aircraft are not like automobiles. Each aircraft may handle differently and some aircraft may require more specialized training. For example, if you wanted to insure a Lake Amphibian, the rate can be substantially affected as to whether the client has had suitable training on that particular aircraft. An underwriter may request that the pilot receive dual instruction on the particular aircraft before the coverage will apply. A licensed pilot may not have flown for a number of years. I currently hold a private pilots license but insurers would be reluctant to offer insurance because my experience was gained some 20 years ago. Unlike automobile insurance, the pilot's license must apply to the aircraft flown. If the plane is flown at night, the license must include a "night endorsement" If the aircraft is on floats, the license must include a "float endorsement". The Pilot History may be required at each renewal. Also, the aircraft policy will only apply to pilots (all who would have completed a pilot history) who are named on the pilot clause.

Aviation policies have two major sections. The first is liability coverage and the second is loss or damage to the aircraft called "Hull Insurance". In the liability section, there are two sub-sections: Third Party Liability and Passenger Bodily Injury Liability. It is possible to offer these subsections in a combined single limit. However the premium, whether combined or separate for Passenger Bodily Injury, must be based on the number of "passenger seats" in the aircraft. A four place aircraft must identify three available passenger seats. If a client does not disclose the correct number of seats the Passenger BI may be negated. Some planes have a small "jump seat" in the rear. Has it been identified to the underwriter? Third Party Liability and Passenger Bodily Injury Liability is mandatory with limits based on the size of the aircraft.

Coverage for the Hull may be written on various forms: All Risk - Flight and Ground, All Risk Ground including Taxiing, All Risk Ground Excluding Taxiing and Named Perils (which s rarely used today). Flight and Ground is obvious - loss or damage to the aircraft is covered whether it is in flight or on the ground. The second level (and for a considerably lower premium) does not cover damage to the aircraft "while in flight". Flight, by definition, not only applies to losses while the aircraft is airborne but also applies to the "take off run" and the "landing roll-out" In other words,

an accident occurring while the aircraft is attempting take off or occurs immediately after touch down (such as a landing ground loop) are considered "flight risks" and are not covered unless you have "Full Flight and Ground". Ground Risks excluding Taxiing does not apply once the aircraft is in motion under its own power.

Particular endorsements available can be a "win -win situation" for both the broker and client. The first is a "No Claims Bonus", which by the wording may apply a reduction to the renewal premium if there have been no claims. The second to consider is a "Lay Up Endorsement" Many private pilots will not fly their aircraft in the winter months. With the attachment of a Lay up Endorsement, a credit can be obtained for the renewal if the lay up exceeds 30 or 60 consecutive days. The advantage to the broker is that both of these possible credits will be reduced if the policy is not renewed. What better way to keep a client!

From an E & O situation, if you are not comfortable with aviation and you cannot get competent assistance, it is still better "to walk" than be subject to an E & O claim. A recent case involved a situation in which the broker told a bank who was attempting to seize an aircraft for an outstanding loan that a " bank personnel" would be covered if he piloted the plane across a lake providing that it was not flown. The float plane was moved, under its own power, across the lake to be placed in a locked compound. The bank pilot misjudged the width of the entrance to the compound and tore off both wings. The broker was held responsible for the incorrect advice.

James E. Bonnay,
C.I.P., C.C.I.B.
Insurance Consultant

Phone 905-333-1727
Fax 905-333-0683
E-mail - jamesbonnay@cogeco.ca